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THIS AMENDMENT:

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**MAYES PROPOSED AMENDMENT 4**

AZ CORP COMMISSION  
DOCKET CONTROL

TIME/DATE PREPARED: March 24, 2010

COMPANY: UNS Gas, Inc.

AGENDA ITEM NO. 20

DOCKET NO. G-04204A-08-0571

OPEN MEETING DATE: 3-31-10

Page 51, line 13, **Insert** a "." after "5.75" percent. **Delete** the remainder of the paragraph.

Page 51, line 14, **Insert two new paragraphs:**

We find that a FVROR of 5.75 percent is also within the wide range of values found in the record as a result of the various methodologies used by the parties' expert witnesses in their calculations of FVROR. RUCO's witness testified that RUCO's final recommendation was 5.38 percent. Staff's recommendation is a FVROR of 6.03 percent, with an alternative methodology calculation of 6.37 percent. The Company offered two different recommendations, originally requesting a 6.80 FVROR which it later increased to 7.25 percent.

We concur with Mr. Smith's testimony that the "determination of FVROR is at best an estimation and not an exact science," and that the goal of the exercise is to afford the Company a reasonable return without providing excessive rates or windfall profits. Using our informed judgment concerning the record's range of values for calculation and determination of FVROR, we find that a FVROR of 5.38 percent is on the low side of the range and that both 6.80 percent and 7.25 percent are too high. In the determination of an appropriate FVROR, we are accorded substantial discretion and may reasonably draw on our expertise in our consideration of the record. In this instance, we find that a FVROR of 5.75 percent strikes the appropriate balance on the implicated ratemaking issues, within the range of values in the record. Therefore, we find that a FVROR of 5.75 is reasonable under the facts and circumstances of this case, when all the relevant factors are considered. Applying the FVROR to the FVRB determined herein produces an overall revenue increase of \$3,245,607.

Make All Conforming Changes

Arizona Corporation Commission

**DOCKETED**

MAR 26 2010

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